



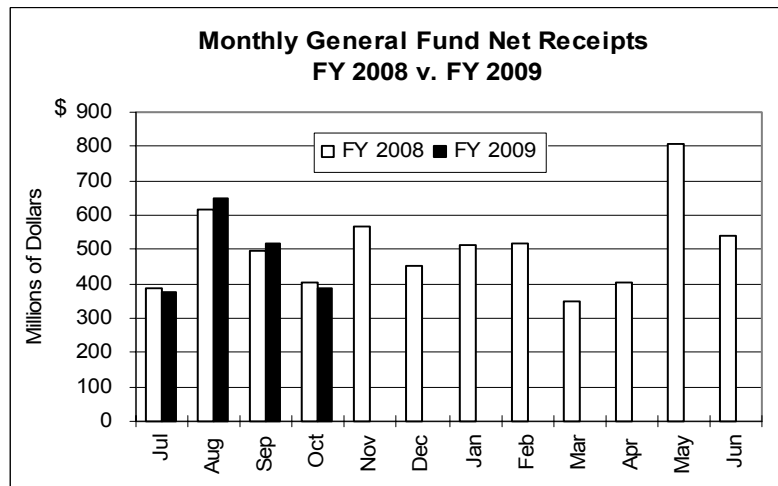
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: November 3, 2008

Monthly General Fund Receipts through October 31, 2008

The attached spreadsheet presents total FY 2009 General Fund total net receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$6.090 billion set by the Revenue Estimating Conference (REC) on October 9, 2008. The FY 2009 estimate is an increase of \$70.4 million (1.2%) compared to actual FY 2008 total net receipts (excludes transfers). The next REC meeting is scheduled for December 12.



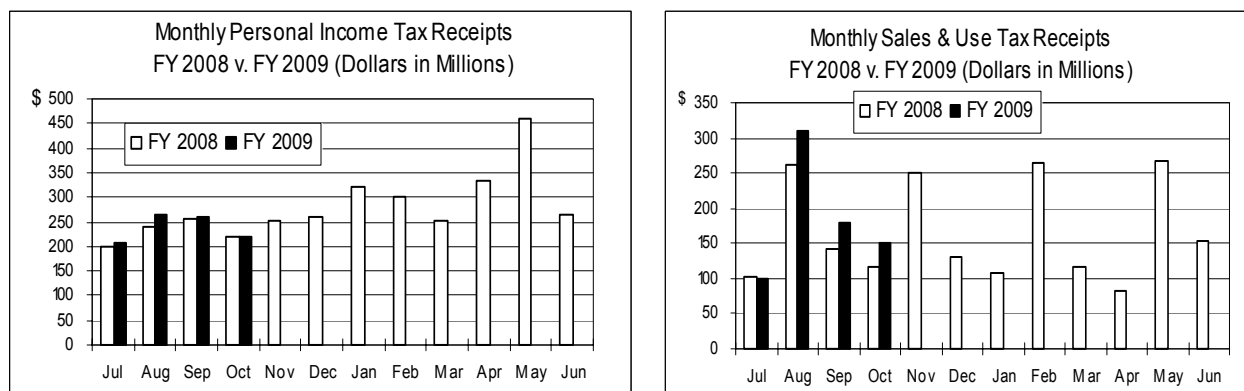
FY 2009 Compared to FY 2008

Year-to-date FY 2009 total net receipts (excluding transfers) increased \$21.7 million (1.1%) compared to FY 2008. Major revenue sources contributing to the FY 2009 change include:

- Personal Income Tax (positive \$37.7 million, 4.1%)
- Sales/Use Tax (positive \$114.8 million, 18.4%)
- Corporate Tax (negative \$19.3 million, - 14.1%)
- Other taxes (positive \$6.0 million, 3.4%)
- Other receipts (positive \$3.7 million, 2.4%)
- Tax refunds not including School Infrastructure refunds (negative \$34.7 million, 33.5%)

Personal Income Tax revenues received in October totaled \$220.6 million, an increase of \$1.9 million (0.9%) compared to October 2007.

The FY 2009 REC Income Tax estimate of \$3.453 billion represents a projected increase of 2.8% compared to actual FY 2008. Through October, total Income Tax receipts increased by 4.1%. By subcategory, withholding payments increased \$27.5 million (3.7%), estimate payments increased \$6.5 million (4.9%), and payments with returns increased \$3.7 million (11.8%). The following chart compares FY 2009 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2008.



Sales/Use Tax receipts received in October totaled \$150.2 million, an increase of \$34.1 million (29.4%) compared to October 2007. The State Sales/Use Tax was increased from 5.0% to 6.0% beginning July 1, 2008, with the increase replacing the School Infrastructure Local Option (SILO) sales tax. Beginning in August, Sales/Use gross tax receipts were no longer adjusted for SILO sales tax payments to school districts. This adjustment accounted for \$28.8 million of the increase in October.

The REC estimate for FY 2009 Sales/Use Tax receipts is \$2.459 billion, an increase of 22.9% compared to actual FY 2008. Through October, total gross Sales/Use Tax receipts have increased 18.4%. The preceding chart compares FY 2009 monthly Sales/Use Tax receipts with FY 2008.

Corporate Tax receipts received in October totaled \$21.7 million, a decrease of \$13.2 million (- 37.8%) compared to October 2007.

The REC estimate for FY 2009 Corporate Tax revenue is \$437.1 million, a decrease of 9.7% compared to actual FY 2008. Year-to-date total Corporate Tax revenue has decreased 14.1%.

Other tax receipts received in October totaled \$37.2 million, an increase of \$4.7 million (14.5%) compared to October 2007.

The REC estimate for other tax revenue is \$488.4 million, a decrease of 1.1% compared to actual FY 2008. Through October, Other Tax revenue has increased 3.4%.

Other receipts (non-tax receipts) received in October totaled \$28.3 million, an increase of \$2.4 million (9.3%) compared to October 2007.

The REC estimate for FY 2009 other receipts revenue is \$374.2 million, a decrease of 1.7% compared to actual FY 2008. Year-to-date total Other receipts have increased 2.4%.

Tax Refunds issued in October totaled \$43.6 million, \$16.7 above October 2007. Beginning in August, 2008, School Infrastructure sales tax payment adjustments are posted as refunds. For October, School Infrastructure refunds totaled \$28.8 million.

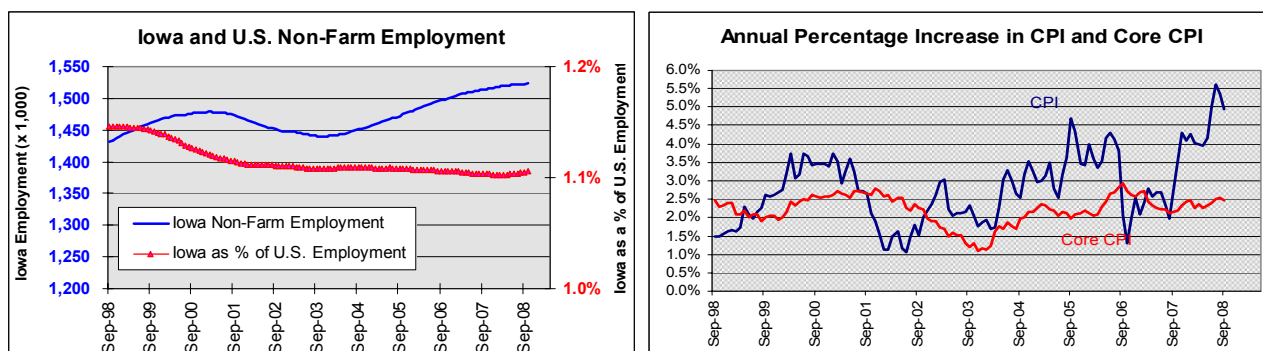
Year-to-date tax refunds issued total \$138.3 million, \$34.7 million (33.5%) above the amount through October of last year. School Infrastructure refunds totaled \$86.5 million through October.

Status of the Economy

Iowa non-farm employment was reported at 1,533,200 for the month of September (not seasonally adjusted), 5,900 higher (0.4%) than September 2007.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current 12-month average reading is now 1,523,100 so annualized Iowa non-farm employment is 44,400 above its 2001 peak and 83,200 above the 2003 low.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The percentage has increased slightly the past nine months and is at its highest level since August 2006.



Consumer prices decreased 0.1% during September (not seasonally adjusted). The Consumer Price Index (CPI-U) through September 2008 was 218.8 (1983/84=100). After three consecutive months over 5.0%, the September year-over-year change is at 4.9%. The overall inflation rate has generally increased since mid-2004, when the price of oil and other commodities started to rise significantly.

Core CPI, an inflation measure excluding food and energy prices, increased in September and stands at 2.5% in the year-over-year comparison. The core inflation rate declined considerably from the early 1990's through March 2004 but has not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices decreased 3.1% in September but currently stand at 23.1% in the year-over-year comparison and food prices are up 6.0% year-over-year, its highest rate since March, 1990.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 July 1 through October 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	October % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 916.3	\$ 954.0	4.1%	0.9%	\$ 3,359.7	\$ 3,452.8	2.8%
Sales/Use Tax	623.9	738.7	18.4%	29.4%	2,000.2	2,458.5	22.9%
Corporate Income Tax	137.3	118.0	-14.1%	-37.8%	483.8	437.1	-9.7%
Inheritance Tax	23.5	30.7	30.6%	69.8%	78.4	80.0	2.0%
Insurance Premium Tax	52.5	48.2	-8.2%	0.0%	111.7	114.5	2.5%
Cigarette Tax	79.3	81.4	2.6%	-1.4%	229.5	224.0	-2.4%
Tobacco Tax	7.0	8.8	25.7%	100.0%	21.2	22.1	4.2%
Beer Tax	5.3	5.5	3.8%	20.0%	14.5	14.6	0.7%
Franchise Tax	10.9	9.9	-9.2%	5.7%	37.6	32.2	-14.4%
Miscellaneous Tax	0.2	0.2	0.0%	-500.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 1,856.2	\$ 1,995.4	7.5%	6.8%	\$ 6,337.5	\$ 6,836.8	7.9%
Institutional Payments	4.7	5.0	6.4%	0.0%	14.9	13.4	-10.1%
Liquor Profits	20.4	21.9	7.4%	0.0%	72.4	74.6	3.0%
Interest	8.2	5.8	-29.3%	-46.7%	25.3	12.0	-52.6%
Fees	25.0	23.9	-4.4%	15.4%	82.1	72.1	-12.2%
Judicial Revenue	25.3	26.5	4.7%	11.2%	90.0	104.0	15.6%
Miscellaneous Receipts	11.2	15.3	36.6%	0.0%	36.1	38.1	5.5%
Racing and Gaming Receipts	60.0	60.1	0.2%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 2,011.0	\$ 2,153.8	7.1%	7.0%	\$ 6,718.3	\$ 7,211.0	7.3%
Accrued Revenue-Net					-24.0	14.9	
Tax Refunds *	-103.6	-138.3	33.5%	62.1%	-674.8	-731.0	8.3%
School Infrast. Refunds *	0.0	-86.5			0.0	-405.0	
TOTAL NET RECEIPTS	\$ 1,907.3	\$ 1,929.0	1.1%	-3.9%	\$ 6,019.5	\$ 6,089.9	1.2%
* For FY 2008 and FY 2009 Year-to-Date, refunds are listed on a cash basis. For FY 2008 Actual and FY 2009 Estimate, refunds are listed on a fiscal year basis.							